

Message Text

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PAGE 01 LONDON 03080 272034Z

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TAGS: EIND, UK

SUBJECT: UKG-CHRYSLER DISCUSSION SPOTLIGHTS TROUBLED
U.K. MOTOR INDUSTRY

REF: LONDON 2258, FEBRUARY 12, 1975

1. SUMMARY: A RECENT EXCHANGE OF LETTERS BETWEEN CHRYSLER PRESIDENT RICCARDO AND INDUSTRY SECRETARY WEDGEWOOD BENN INDICATE THAT CHRYSLER WILL CONTINUE TO OPERATE IN THE U.K. FUTURE INVESTMENT, HOWEVER, WILL DEPEND ON THE UKG'S WILLINGNESS TO IMPROVE OPERATING CONDITIONS. FORD U.K. ALSO JOINS THE FRAY. END SUMMARY.
2. IN MID-FEBRUARY INDUSTRY SECRETARY WEDGEWOOD BENN ADDRESSED LETTER TO PRESIDENT OF CHRVSLER CORPORATION (US) J.J. RICCARDO EXPRESSING UKG FEARS THAT CHRYSLER WOULD CLOSE DOWN OPERATION BECAUSE OF PLUMMETING PROFITS IN 1974. RICCARDO'S REPLY TO BENN RECEIVED FEBRUARY 20 AND PUBLISHED FEB. 25 CALLED ON UKG TO "FOSTER A CLIMATE THAT PROVIDES INCENTIVE FOR INVESTMENT". WHILE ASSURING THAT CHRYSLER INTENDS TO REMAIN A STRONG COMPETITOR IN THE BRITISH MARKET RICCARDO EMPHASIZED THAT FIRM REQUIRES THE SUPPORT OF THE GOVERNMENT AND THE WORKERS TO DO SO. LATTER PHRASE WAS CONSTRUED BY ELEMENTS OF PRESS AS HINT FOR UKG ASSISTANCE.

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PAGE 02 LONDON 03080 272034Z

3. CHRYSLER UK CHAIRMAN GILBERT HUNT CLARIFIED LETTER

IN APPEARANCE FEBRUARY 26 BEFORE SPECIAL PARLIAMENTARY COMMITTEE OF INQUIRY INTO THE BRITISH AUTOMOBILE INDUSTRY. HUNT SAID THAT CHRYSLER HAS NOT APPROACHED THE UKG FOR FINANCIAL HELP AND HAS NO PLANS FOR BIG REDUNDANCIES OR PLANT CLOSURES WITHIN NEXT FEW MONTHS. DECISION TO BUILD NEW CHRYSLER MODELS AT SIMCA PLANT MOTIVATED SOLELY BY GREATER PROFITABILITY FRENCH INSTALLATION.

4. RICCARDO LETTER AND HUNT APPEARANCE COINCIDED WITH EXCEPTIONALLY BLUNT LETTER BY TERRY BECKETT, MANAGING DIRECTOR OF FORD UK TO CHANCELLOR OF EXCHEQUER HEALEY. BECKETT ATTACKED A PROPOSED HORSEPOWER TAX (DIFFERENTIAL CAR TAX SYSTEM) WHICH COULD FAVOR SMALL FOREIGN IMPORTS. HE ALSO COMPLAINED ABOUT LACK OF FORWARD PLANNING AND CONSULTATION BY UKG WITH MOTOR INDUSTRY AND CONTINUED: "YOU (UKG) JUST CANNOT AFFORD TO SCREW UP AN INDUSTRY WHICH IS BRINGING IN MILLIONS OF POUNDS WORTH OF EXPORT EARNINGS EVERY YEAR" (AS QUOTED IN PRESS).

5. RICCARDO'S LETTER RECEIVED ACCOLADES FROM CONSERVATIVE DAILY TELEGRAPH IN EDITORIAL WITH HEADING CANDOR FROM CHRYSLER. CHARACTERIZING LETTER AS "POLITE AND REASONABLE", TELEGRAPH STRESSED FUNDAMENTAL NEED FOR INVESTMENT TO INDUCE PROFITS AND THUS ENCOURAGE A MORE PERMANENT RISE IN INVESTMENT INFLOW.

6. ALL U.K. AUTO MANUFACTURERS ARE FEELING THE PINCH. LEYLAND'S POST TAX PROFIT IN 1974 WAS A MEAGER 2.3 MILLION POUNDS; VAUXHALL (GM) LOST 18 MILLION POUNDS. FORD AND CHRYSLER ANNUAL REPORTS NOT PUBLISHED UNTIL APRIL-MAY. HOWEVER, CHRYSLER IS BOUND TO SHOW A LOSS. FORD ON THE OTHER HAND HAS BENEFITTED FROM ITS STRENGTH IN THE EXPORT MARKET.

7. RUMORS HAVE ALSO BEEN REPORTED IN PRESS THAT CHRYSLER IS PLANNING MERGER WITH BRITISH LEYLAND BUT HUNT IN CONVERSATION WITH COMMERCIAL COUNSELOR LABELLED THESE AS "NONSENSICAL".

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PAGE 03 LONDON 03080 272034Z

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